

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BFN2224 – FINANCIAL MARKETS AND INSTITUTIONS

(All sections / Groups)

4th OCTOBER 2023

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages (including cover page) with 2 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the answer booklet.

QUESTION 1 (50 MARKS)

- a) Explain **FOUR (4)** possible initiatives of monetary policy to be taken by the government to stimulate the consumer spending during the recession. (20 marks)
- b) Discuss the **THREE (3)** advantages of investing in money market compared to foreign exchange market. (30 marks)

QUESTION 2 (25 MARKS)

- a) How do changes in interest rates affect the financial markets and what are the potential implications for investors? (20 marks)
- b) Corporate bond rate is 11.9% and the rate on a municipal bond is 9.95%. Which bond should you choose? Marginal tax rate is 29.5% (5 marks)

QUESTION 3 (25 MARKS)

Facebook (FB), now Meta Platforms Inc. (META), went public with its initial public offering (IPO) on May 18, 2012 and issued 421,000,000 new shares. The popular social networking company had one of the largest and most anticipated IPOs in history. FB shares closed at \$38.23 on that day, slightly above the \$38.00 IPO price. Shares were valued at \$38.23, only \$0.23 above the IPO price and down \$3.82 from the opening bell value. The opening was widely described by the financial press as a disappointment.

- a) If the investment bankers retained \$1.65 per share as fees, what was the net proceeds to Facebook? What was the market capitalization of new shares of Facebook? (10 marks)
- b) Compute the under-pricing and money left on the table for eBay. What does this suggest about the efficiency of the IPO process? (10 marks)
- c) What are the **TWO (2)** tools of financial institutions to measure and manage interest-rate risk exposure? (5 marks)

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